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Crypto Policy Tracker

OCC Proposed Rule Under the GENIUS Act: Six Key Takeaways

By [Chris Daniel](#), [Eric Sibbitt](#), [Dana V. Syracuse](#), [Josh Boehm](#), [Meagan Griffin](#), [Lawrence D. Kaplan](#), [Monica Jang](#), [Lisa Rubin](#), [Dina Ellis Rochkind](#) and [Samantha Ackel](#)

To implement the [Guiding and Establishing National Innovation for U.S. Stablecoins \(GENIUS\) Act](#), the [Office of the Comptroller of the Currency \(OCC\)](#) issued on Feb. 25 a [notice of proposed rulemaking](#) regarding the issuance of payment stablecoins and certain related activities by entities subject to the OCC's jurisdiction (the Proposed Rule).

Posing over 200 questions for public comment, the Proposed Rule is broad in scope, covering definitions, stablecoin yield, reserve assets, redemption policies, capital methods and interoperability, among other topics. Many of these issues will likely be refined or clarified in this or future rulemakings based on public feedback. The comment period is currently set to close on May 1.

The [GENIUS Act](#) was enacted on July 18, 2025, and establishes a statutory framework for payment stablecoin activities. Once the Act becomes effective, “[i]t shall be unlawful for any person other than a permitted payment stablecoin issuer to issue a payment stablecoin in the United States.” Sec. 3(a). The GENIUS Act also sets forth various regulatory and licensing requirements for both permitted and foreign payment stablecoin issuers. It has an effective date of the earlier of 18 months after the enactment date (July 18, 2025) or 120 days after the primary federal payment stablecoin regulators issue final regulations implementing the GENIUS Act. However, digital asset service providers (which include a digital asset exchange or custodian) may continue to offer and sell stablecoins that have not been issued by permitted stablecoin issuers until three years after enactment (i.e., July 2028). Sec. 3(b). For a more detailed review of the GENIUS Act, see our [previous guide here](#).

The OCC's Proposed Rule follows earlier proposed rules from the [FDIC](#) (December 2025) and the [NCUA](#) (February 2026), both of which mainly addressed licensing procedures under the GENIUS Act.

Here are six key takeaways from the Proposed Rule. Additional detail on each provision is set forth below.

- 1. Affiliate and Related Third-Party Yield Prohibition.** The GENIUS Act states: “No permitted payment stablecoin issuer or foreign payment stablecoin issuer shall pay the holder of any payment stablecoin any form of interest or yield (whether in cash, tokens, or other consideration) solely in connection with the holding, use, or retention of such payment stablecoin.” Section 4(a)(11) of the GENIUS Act. While the GENIUS Act prohibits permitted “stablecoin issuers” from paying holders interest or yield, the Proposed Rule goes a step further by presuming that an issuer has violated the prohibition when it pays

yield to stablecoin holders through an affiliate or related third party. The Proposed Rule does not prohibit persons other than affiliates and “related third parties” from paying rewards or other incentives.

2. **White-Label and Co-Branding Arrangements.** The OCC is considering whether to prohibit a payment stablecoin issuer from issuing more than one brand of payment stablecoin, including stablecoins marketed under different names through white-label or co-branding arrangements. With the increased interest in these types of arrangements, this proposal is also likely to attract a high volume of comments from issuers and firms that use these arrangements.
3. **Tokenized Assets as Reserve Collateral.** The OCC expands on the reserve asset requirements under the GENIUS Act and encourages issuers to seek guidance on whether a specific tokenized asset (e.g., tokenized deposits or Treasuries) qualifies as a permissible reserve asset.
4. **Redemption Policy Disclosures and Circuit Breakers.** Permitted stablecoin issuers must publish their redemption policies and customer disclosures under the Proposed Rule, which also establishes circuit breakers during periods of elevated redemption demand.
5. **Issuer Prudential Standards.** The Proposed Rule establishes operational and risk management standards for permitted stablecoin issuers, tailored to each issuer’s size, complexity and risk profile. The Proposed Rule also sets forth minimum capital and operational backstop requirements.
6. **Application Frameworks for Stablecoin Issuers.** The Proposed Rule establishes licensing and registration frameworks for entities seeking to become a federally qualified issuer, foreign payment stablecoin issuers seeking to operate in the United States and state-qualified issuers transitioning to federal oversight.

Affiliate and Related Third-Party Yield Prohibition

The GENIUS Act states: “No permitted payment stablecoin issuer or foreign payment stablecoin issuer shall pay the holder of any payment stablecoin any form of interest or yield (whether in cash, tokens, or other consideration) solely in connection with the holding, use, or retention of such payment stablecoin.” Section 4(a)(11) of the GENIUS Act. The Proposed Rule implements this prohibition by establishing a rebuttable presumption that an issuer has violated the yield prohibition when it pays an affiliate or “related third party” that, in turn, pays yield to stablecoin holders. Proposed Rule § 15.10(c)(4). The Proposed Rule does not prohibit persons other than affiliates and “related third parties” from paying rewards or other incentives.

“Related third parties” are defined to “include any person paying interest or yield to payment stablecoin holders as a service (i.e., on behalf of the permitted payment stablecoin issuer) and any person that the issuer issues payment stablecoins on behalf of or under the branding of (i.e., persons that have entered a white-label relationship with the issuer).” The Proposed Rule permits an issuer to rebut the presumption by submitting written materials demonstrating to the OCC’s satisfaction that the arrangement is not intended to evade the yield restriction. Stablecoin issuers will likely contend that based on the language in the GENIUS Act, the Proposed Rule should not apply to stablecoin issuers that partner with digital asset exchanges or other intermediaries that retain independent discretion to offer rewards programs to payment stablecoin holders.

The GENIUS Act limits the prohibition on yield to “stablecoin issuers.” After the GENIUS Act was signed into law, the issue became a focal point in discussions with the Senate Banking Committee about the market structure legislation. The banking industry expressed concerns about deposit flight. On Jan. 12, the Senate Banking Committee [released a revised draft](#) of the digital asset market structure legislation titled the “[Digital Asset Market Clarity Act](#).” The new text included a draft compromise on the stablecoin yield provisions, banning digital asset service providers from paying interest or yield “solely in connection with the holding of a payment stablecoin.” Section 404(b)(1) of the GENIUS Act.

On Jan. 14, Senate Banking Committee Chairman Tim Scott (R-SC) [announced that](#) the Committee would [postpone its markup](#) of digital asset market structure legislation. The White House held [several meetings](#) with both executives and trade associations from the crypto industry and traditional finance to continue the negotiations regarding stablecoin yield. In the [second meeting](#), bank representatives [reportedly circulated a document](#) titled “Yield and Interest Prohibition Principles,” which prohibited “any form of financial or non-financial consideration to a payment stablecoin holder in connection with the payment stablecoin holder’s purchase, use, ownership, possession, custody, holding, or retention of a payment stablecoin.” The President issued a [social media post](#) urging the banks to reach a compromise on stablecoin yield to advance the market structure legislation in the Senate. The OCC’s Proposed Rule adds another layer of discussion on stablecoin yield outside of Congress.

White-Label and Co-Branding Arrangements

The OCC is considering whether to prohibit a permitted payment stablecoin issuer from issuing more than one brand of a payment stablecoin, including stablecoins marketed under different names through white-label or co-branding arrangements. The OCC acknowledges that these arrangements can offer benefits by allowing companies to leverage the infrastructure and expertise of a stablecoin issuer and by expanding the range of stablecoins available in the market.

At the same time, the OCC notes that issuing multiple branded stablecoins by a single entity could create confusion about reserve assets and heighten the risk of contagion or a run on stablecoins. As an alternative, the OCC is considering limiting each permitted payment stablecoin issuer to a single stablecoin brand, while allowing affiliated entities to apply separately for stablecoin issuer authorization. Under this model, affiliated issuers could share certain operational services and risk management frameworks while remaining legally distinct entities.

Tokenized Assets as Reserve Collateral

As required by the GENIUS Act, permitted payment stablecoin issuers must maintain identifiable reserves backing outstanding payment stablecoins on at least a one-to-one basis comprised of high-quality, liquid instruments and tokenized representations of certain permitted assets. Proposed Rule § 15.11(b). The OCC encourages issuers to seek its guidance on whether a particular tokenized asset qualifies as a permissible reserve asset. The OCC also indicates that permitted payment stablecoins or crypto-assets held by the issuer for the payment of network or “gas” fees may not qualify as a permitted reserve asset under Proposed Rule § 15.11.

In Proposed Rule § 15.11(c), the OCC presents two options regarding reserve diversification. Under Option A, a principles-based standard would apply along with a safe harbor that meets certain requirements. Key requirements include holding at least 10% of stablecoin reserve in daily liquid assets and 30% in weekly liquid assets. No more than 40% of reserves and 50% of daily liquidity requirements could be held at a single institution. Option B would make the proposed quantitative requirements mandatory for all issuers, eliminating the principles-based alternative.

Issuers would be required to publish a monthly reserve asset report on their public website, subject to examination by a registered public accounting firm and certification by the CEO or CFO for its accuracy. Proposed Rule § 15.11(e)-(f).

Redemption Policy Disclosures and Circuit Breakers

The Proposed Rule requires stablecoin issuers to publicly disclose their redemption policy, which should include when a redemption may be extended and redeemed. Any changes to the fees require a seven-calendar-day notice to customers. Proposed Rule § 15.12(d). The Proposed Rule imposes circuit breakers during periods of elevated redemption demand if the redemption requests exceed 10% of an issuer’s

outstanding issuance value. The OCC may extend redemption period on safety and soundness or public interest grounds. Proposed Rule § 15.12(c).

Issuer Prudential Standards

The Proposed Rule requires issuers to maintain the following (Proposed Rule §§ 15.40-15.42):

1. Minimum capital, consisting of common equity tier 1 capital and additional tier 1 capital, consistent with the existing capital framework applicable to national banks under OCC regulations. *De novo* issuers must maintain the greater of \$5 million or the amount specified in the chartering or approval conditions. This minimum remains in effect generally for three years.
2. An operational backstop, sufficient to cover 12 months of operating expenses and consisting of a designated pool of highly liquid assets held separately from required reserve assets.

Issuers that fail to meet either requirement at quarter-end would be prohibited from net new issuance. If the issuer doesn't meet the requirements during two consecutive quarters, it will be required to liquidate reserve assets and redeem outstanding stablecoins to its customers without any fees.

The Proposed Rule also establishes principles-based operational and risk management standards, tailored to each issuer's size, complexity and risk profile. Key standards include internal controls, management of interest rate risk and systems to monitor earnings to support its operation and required capital levels. (Proposed Rule § 15.13).

Application Frameworks for Stablecoin Issuers

The Proposed Rule establishes application frameworks for federal qualified issuers as well as foreign payment stablecoin issuers. It also includes a transition framework for state qualified issuers.

- Federal Qualified Payment Stablecoin Issuers may apply with the OCC to become a federal qualified issuer. This includes national banks, federal savings associations, nonbanks and foreign banks seeking to issue a stablecoin through a U.S. subsidiary. The OCC will make a determination on a substantially complete application within 120 days, which will be deemed approved unless the OCC rejects it. Proposed Rule § 15.30.
- Foreign Payment Stablecoin Issuers may operate in the United States if the issuer is subject to a Treasury-determined comparable regulatory regime, registers with the OCC, holds reserves at U.S. financial institutions sufficient to meet U.S. customer demands and is not domiciled in a sanctioned jurisdiction. Approved foreign issuers are subject to OCC supervision and examination requirements like domestic issuers. Proposed Rule § 15.31. Registration will be deemed approved after 30 days unless the OCC rejects it. Proposed Rule § 15.32.
- State Qualified Payment Stablecoin Issuers that exceed \$10 billion in outstanding issuance must notify the OCC within five calendar days and either transition to OCC supervision within 360 days or cease net new issuance until its balance falls below the threshold. There is a rebuttable presumption for a waiver being approved where the issuer's state regulator established a GENIUS Act-certified prudential digital asset regime as of April 19, 2025, and had approved at least one issuer. Proposed Rule § 15.15.



If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers:

Chris Daniel
+1-404-815-2217

chrisdaniel@paulhastings.com

Josh Boehm
+1-212-318-6033

joshboehm@paulhastings.com

Lisa E. Rubin
+1-415-856-7027

lisarubin@paulhastings.com

Eric C. Sibbitt
+1-415-856-7210

ericsibbitt@paulhastings.com

Meagan E. Griffin
+1-404-815-2240

meagangriffin@paulhastings.com

Dina Ellis Rochkind
+1-202-551-1938

dinaellis@paulhastings.com

Dana V. Syracuse
+1-212-318-6034

danasyracuse@paulhastings.com

Lawrence D. Kaplan
+1-202-551-1829

lawrencekaplan@paulhastings.com

Samantha Ackel
+1-212-318-6385

samanthaackel@paulhastings.com

Monica Jang

+1-212-318-6628

monicajang@paulhastings.com

Paul Hastings LLP

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